

NEW APPLICATION

ORIGINAL



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AZ PUBLIC UTILITIES
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

NOV -5 2009

COMMISSIONERS

KRISTIN K. MAYES, CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

DOCKETED BY

112

W-02062A-09-0515

APPLICATION OF SOUTHLAND
UTILITIES COMPANY, INC. FOR AN
INCREASE IN ITS WATER RATES

Docket No. W-02062A-09-

RATE APPLICATION

The Southland Utilities Company, Inc. ("Company" or "Applicant"), hereby
applies for an increase in its water rates.

SUPPORTING DOCUMENTATION

Pursuant to A.A.R. Rule 14-2-103, the Company submits the following
documentation in support of the proposed increase in rates and charges:

- Opinion of Probable Costs (*see* Exhibit 1);
- Direct Testimony of Sonn S. Rowell (*see* Exhibit 2);
- Required Schedules, Statements, and Documentation (*see* Exhibit 3);

- Water Use Data Sheets (*see* Exhibit 4);
- Plant Descriptions (*see* Exhibit 5);
- ADEQ Compliance Status Report (*see* Exhibit 6); and
- Monitoring Assistance Program Sampling Fee Invoice (*see* Exhibit 7).

RESPECTFULLY SUBMITTED this 5th day of November, 2009.

MOYES SELLERS & SIMS LTD.



Steve Wene
1850 North Central Avenue
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swene@lawms.com
Attorney for Southland Utilities Company, Inc.

Original and 13 copies of the foregoing
filed this 5th day of November, 2009, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copy of the foregoing mailed this
5th day of November, 2009, to:

Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

1 Ernest Johnson, Director
2 Utilities Division
3 Arizona Corporation Commission
4 1200 West Washington Street
5 Phoenix, Arizona 85007

6 Donnelly, Herbert
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EXHIBIT 1



OPINION OF PROBABLE COSTS

28-Apr-09

Southland Utilities, Inc

Item No	Item Description	Unit	Quantity	Unit Cost	Extended Cost	Notes
Well #1 Improvements						
1	12" Well - 1,000 feet deep/400 gpm	LS	1	\$ 275,000.00	\$ 275,000.00	
2	750' 6" drop pipe, 90 hp submersible pump/motor	LS	1	\$ 80,000.00	\$ 80,000.00	
3	Booster pump station - (3) 30 hp pumps	LS	1	\$ 100,000.00	\$ 100,000.00	
4	Site Electrical and Controls	LS	1	\$ 75,000.00	\$ 75,000.00	
Well #3 Improvements						
5	16" Well - 1,000 feet deep	LS	1	\$ 305,000.00	\$ 305,000.00	
6	750' 8" drop pipe, 90 hp submersible pump	LS	1	\$ 95,000.00	\$ 95,000.00	
7	Booster pump station - (3) 30 hp pumps	LS	1	\$ 100,000.00	\$ 100,000.00	
8	Onsite Generator	EA	1	\$ 64,500.00	\$ 64,500.00	
9	Site Piping	LS	1	\$ 15,000.00	\$ 15,000.00	
Replace Water Meters						
10	New 1" lockable and auto-read water meter	EA	550	\$ 250.00	\$ 137,500.00	
Subtotal					\$ 1,247,000.00	
Administration and Legal Expenses 2% of Construction Cost \$ 24,940.00						
Land, Structures, and Right-Of-Way NA \$ -						
Relocations NA \$ -						
Arch and Engineering Fees 8% of Construction Cost \$ 99,760.00						
Other A and E Fees (Survey, Geotech, etc) 2% of Construction Cost \$ 24,940.00						
Project Inspection Fees 3.5% of Construction Cost \$ 43,645.00						
Subtotal					\$ 1,440,285.00	
Contingencies, 20%					\$ 288,057.00	
Total Project Costs					\$ 1,728,342.00	
Construction Costs per Benefitting Connection					\$ 2,027.64	

EXHIBIT 2

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 **COMMISSIONERS**

4 KRISTIN K. MAYES, CHAIRMAN

5 GARY PIERCE

6 PAUL NEWMAN

7 SANDRA D. KENNEDY

8 BOB STUMP

9 APPLICATION OF SOUTHLAND
10 UTILITIES COMPANY, INC. FOR AN
11 INCREASE IN ITS WATER RATES

**DIRECT TESTIMONY OF
SONN S. ROWELL**

12
13 **Q-1 Please state your name and current employment position:**

14 **A-1** My name is Sonn S. Rowell, and I am a Certified Public Accountant and
15 managing member of Desert Mountain Analytical Services, PLLC.
16

17 **Q-2 Describe your educational and professional background:**

18 **A-2** I have a Bachelor of Science Degree in Accounting from Arizona State University,
19 as well as my CPA certification from the Arizona State Board of Accountancy. I
20 have worked for many years in the practice of public accounting, and have held
21 part-time teaching positions at Mesa Community College. After employment with
22 the Utilities Division of the Arizona Corporation Commission for four years, I
23 started DMAS and now specialize in regulatory accounting and consulting.
24
25
26
27
28

1 **Q-3 By whom are you employed and in what capacity?**

2 **A-3** I have been retained to perform a financial analysis of the books and records of
3 Southland Utilities Company, Inc. ("Southland or Company") in order to prepare
4 rate and finance applications for submittal to the Arizona Corporation
5 Commission.
6

7 **Q-4 What is the purpose of your testimony?**

8 **A-4** The purpose of my testimony is to present my analysis and recommendations
9 concerning the development of the Company's gross revenue requirement, taking
10 into account adjusted rate base, adjusted operating income, working capital
11 requirements, the current rate of return for the historic twelve month period,
12 required operating income, the proposed rate of return, and other relevant factors. I
13 will also sponsor certain exhibits in support of the rate and finance applications.
14
15

16 **Q-5 Please summarize the Company's proposal.**

17 **A-5** The Company is seeking an increase in gross revenue of \$512,124, or a rate
18 increase of 364.73%, to pay for needed system upgrades and improvements as set
19 forth in Exhibit 1 of the rate application.
20
21

22 **Q-6 What is the basis for your recommendation?**

23 **A-6** I analyzed the Company's records to determine its adjusted revenues and expenses
24 during the test year ending December 31, 2008. Next, I calculated the proposed
25 revenue requirement in order to ensure the Company can earn sufficient revenue to
26 pay the debt service on the proposed WIFA loan, and provide adequate and
27 reliable water service. Based upon my analysis, I have prepared the schedules in
28

1 accordance with A.A.C. Rule 14-2-103 that are set forth in Application Exhibit 3,
2 which I adopt as part of my testimony.

3 **Q-7 Regarding Application Schedule B-2, please explain the proforma plant**
4 **adjustment for \$1,728,342.**

5 **A-7** The Company has simultaneously submitted a financing application to borrow
6 money from WIFA to make substantial improvements to the two system wells.

7
8 **Q-8 Regarding Application Income Statement C-1, why was the adjustment (A) to**
9 **other water revenue for (\$255) made?**

10 **A-8** This adjustment removes a non-recurring credit balance in bad debt expense that
11 was written off during the test year.

12 **Q-9 Please explain adjustment (B) to Outside Services for \$48,561.**

13
14 **A-9** The actual amount of expense for outside services during the test year was
15 \$60,194. The majority of this amount can be attributed to monthly accounting
16 fees (\$23,155) incurred prior to, and during the transition to a management
17 agreement with Southwestern Utility Management, Inc. ("SUM"), as well as
18 \$4,260 for a certified operator prior to management by SUM. Additionally, test
19 year outside services included \$27,224 for management fees paid to SUM for
20 partial year representation. Once the two non-recurring expenses (\$23,155 and
21 \$4,260) are removed from the test year as well as the \$27,224 for partial year
22 management fees, outside services is reduced to \$5,555. To that amount I added
23 an entire year's worth of management fees related to the contract with SUM in the
24 amount of \$103,200, which is the average amount per month of \$8,600 for 12
25 months, which results in the adjusted amount of \$108,755.
26
27
28

1
2 **Q-10 In that same statement, why was rate case expense increased by \$8,333?**

3 **A-10** Expenses related to this rate case and the associated financing application are
4 estimated to be at least \$25,000 to \$30,000. The adjustment is based upon
5 \$25,000 amortized over three years.
6

7 **Q-11 What are factors in the \$144,410 adjustment (D) to depreciation expense?**

8 **A-11** The adjustment is comprised of two factors. Revised proposed depreciation rates
9 based upon Staff's standard recommended rates, and proforma depreciation
10 expense for the plant improvements proposed to be constructed with the proceeds
11 of the WIFA loan.
12

13
14 **Q-12 Why did you reduce income taxes by \$4,358 in adjustment (E)?**

15 **A-12** Of this total amount, \$4,308 is the result of an adjustment made to deferred
16 income taxes during the test year. This expense is non-recurring, and is not the
17 result of actual income tax paid due to the fact the company did not experience net
18 income. The other \$50 is the minimum Arizona corporate income tax amount. It
19 was removed from test year income tax expense as well since income taxes based
20 on proposed revenue are calculated in adjustment (K).
21

22
23 **Q-13 Why did you make adjustments (F), (G), and (H) to other income and**
24 **expenses below test year operating income?**

25 **A-13** They reflect adjustments for non-recurring items that happened during the test
26 year, and as such is only appropriate to remove them from the income statement.
27 Adjustment (F) removes interest income (\$2,285) that is non-recurring due to the
28

1 current lack of funds to invest. The \$12,685 reduction to non-utility income
2 reflected in (G) is due largely to insurance reimbursements for a fire at a trailer
3 previously used as an office prior to the management agreement with SUM.
4 Adjustment (H) removes an expense (\$30,677) related to the write off of an
5 amount due from Sanitation, a previous tenant of the utility.
6

7 **Q-14 Adjustment I increases interest expense by \$110,109, please explain.**

8
9 **A-14** The proposed WIFA loan of \$2,233,796 is amortized over a 20 year term at a 5%
10 interest rate. As the final terms of the loan have yet to be determined, these
11 amounts are estimates, however \$110,174 is estimated to be the interest expense
12 for the first year (not including debt reserve and WIFA fees). There is also a \$65
13 adjustment to remove non-recurring interest expense.
14

15 **Q-15 How did you calculate the amount of \$512,124 for adjustment (J)?**

16 **A-15** The proposed increase amount to metered water revenue is calculated on Schedule
17 A-1, and appears on Line 8.
18

19 **Q-16 Please provide the calculations behind the adjustment (K) to income taxes for**
20 **\$55,775.**

21 **A-16** My calculations for the income tax adjustment are detailed in the table below.
22

23 ////

24 ////

25 ////

26 ////

27 ////

28 ////

Net Income	\$112,912
Add back income taxes	55,775
Net Income before taxes	168,687
Less: Arizona tax @ 6.968%	11,754
Federal Taxable Income	156,933
Federal Income Tax:	
First \$100,000 - \$22,250	\$ 44,454
Next \$56,933 - \$22,204	
Total Proposed Income Tax	\$ 56,208

Q-17 Does this conclude your testimony?

A-17 Yes.

EXHIBIT 3

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: A-1
Title: Computation of Increase in Gross Revenue Requirements.

Explanation:
 Schedule showing computation of increase in gross revenue requirements and spread of revenue increase by customer classification.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Special Reqmt	<input type="checkbox"/>

	<u>Original Cost</u>	<u>RCND</u>	
1. Adjusted Rate Base	\$ 2,371,815	(a)	(a)
2. Adjusted Operating Income	\$ (233,262)	(b)	(b)
3. Current Rate of Return	0.00%		
4. Required Operating Income	\$ 124,067		
5. Required Rate of Return	5.23%		
6. Operating Income Deficiency (4 - 2)	\$ 357,329		
7. Gross Revenue Conversion Factor	1.4332	(c)	(c)
8. Increase in Gross Revenue Requirements (6 x 7)	\$ 512,124		

<u>Customer</u> <u>Classificati</u>	<u>Revenue at</u> <u>Present Rates</u>	<u>Revenue at</u> <u>Proposed</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>	
Residential	\$ 130,303	\$ 580,951	\$ 450,648	345.85%	(d)
Commercial	10,108	71,584	61,476	608.16%	
Industrial	-	-	-		
Total	\$ 140,411	\$ 652,535	\$ 512,124	364.73%	

Note: For combination utilities, the above information should be presented in total and by department.

Supporting Schedules:

(a) B-1 (c) C-3

(b) C-1 (d) H-1

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: A-2
Title: Summary Results of Operations

Explanation:
 Schedule showing comparative operating results for
 the test year and the 2 fiscal years ended prior to the
 end of the test year, compared with the projected year.

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Specd Reqmt	<input type="checkbox"/>

Description	<u>Prior Years</u>		<u>Test Year</u>		<u>Projected Year</u>	
	Year End	Year End	Actual	Adjusted	Present	Proposed
	31-Dec-06	31-Dec-07	Rates	Rates	Rates	Rates
	(a)	(a)	(a)	(b)	(c)	(c)
1. Gross Revenues	\$ 143,769	\$ 143,460	\$ 140,666	\$ 140,411	\$ 140,411	\$ 652,535
2. Revenue Deductions & Operating Expenses	(127,504)	(149,397)	(176,727)	(373,673)	(373,673)	(429,881)
3. Operating Income	16,265	(5,937)	(36,061)	(233,262)	(233,262)	222,654
4. Other Income and Deductions	3,206	3,332	(15,707)	-	-	-
5. Interest Expense	67	165	65	110,174	110,174	110,174
6. Net Income	\$ 19,404	\$ (2,770)	\$ (51,833)	\$ (343,436)	\$ (343,436)	\$ 112,479
7. Earned Per Average Common Share*	\$ 48.51	\$ (6.93)	\$ (129.58)	\$ (858.59)		
8. Dividends Per Common Share*	-	-	-	-		
9. Payout Ratio*	0.00%	0.00%	0.00%	0.00%		
10. Return on Average Invested Capital	9.08%	-1.24%	-11.76%	-77.92%	-23.24%	7.61%
11. Return on Year End Capital	10.78%	-1.03%	-8.45%	-55.97%	-14.66%	4.80%
12. Return on Average Common Equity	11.33%	-1.99%	-34.33%	-227.47%	-302.41%	99.04%
13. Return on Year End Common Equity	20.43%	-1.51%	-43.56%	-288.65%	-317.56%	104.00%
14. Times Bond Interest Earned - Before Inc Tax	24007.46%	-1141.21%	-72938.46%	-211.72%	-211.72%	253.11%
15. Times Total Interest and Preferred Dividends Earned - After Income Taxes	29061.19%	-1578.79%	-79643.08%	-211.72%	-211.72%	202.09%

Supporting Schedules:

*Optional for projected year

(a) E-2

(b) C-1

(c) F-1

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: A-4

**Title: Construction Expenditures and
Gross Utility Plant in Service**

Explanation:

Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Year	Construction Expenditures (a)	Net Plant Placed In Service (b)	Gross Utility Plant In Service
1. Prior Year 1 - 2006	\$ 29,768	\$ 13,967	\$ 489,724
2. Prior Year 2 - 2007	107,099	(1,609)	488,115
3. Test Year - 2008	459,148	546,811	1,034,926
4. Projected Year - 2009	38,000	38,000	1,072,926
5. Projected *			
6. Projected *			

* Required only for Class A and B Utilities

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

(a) F-3

(b) E-5

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: B-1
Title: Summary of Original Cost
and RCND

Explanation:
 Schedule showing elements of adjusted original cost
 and RCND rate bases.

Required for: All Utilities ☒
 Class A ☐
 Class B ☐
 Class C ☐
 Class D ☐
 Specil Reqmt ☐

	Original Cost	RCND
	Rate Base*	Rate Base*
1. Gross Utility Plant in Service	\$ 2,763,268	
2. Less: Accumulated Depreciation	(404,577)	
3. Net Utility Plant in Service	\$ 2,358,691 (a)	(b)
Less:		
4. Advances in Aid of Construction	3,182 (c)	(c)
5. Contributions in Aid of Construction	6,196 (c)	(c)
Add:		
6. Allowance for Working Capital	22,501 (d)	(d)
7. Total Rate Base	\$ 2,371,815 (e)	(e)

* Including pro forma adjustments

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

- (a) B-2 (d) B-5
- (b) B-3
- (c) E-1

Recap Schedules:

- (e) A-1

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: B-2
Title: Original Cost Rate Base
Proforma Adjustments

Explanation:

Schedule showing pro forma adjustments to gross plant in service and accumulated depreciation for the original cost rate base.

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

X

	<u>Actual at End</u> <u>Of Test Year (a)</u>	<u>Pro forma</u> <u>Adjustment</u>	<u>Adjusted at End</u> <u>Of Test Year (b)</u>
1. Gross Utility Plant in Service	\$ 1,034,926	\$ 1,728,342	1 \$ 2,763,268
2. Less: Accumulated Depreciation	(404,577)		(404,577)
3. Net Utility Plant in Service	\$ 630,349	\$ 1,728,342	\$ 2,358,691

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

- 1 Adjustment to include plant improvements constructed from proceeds of WIFA loan.

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: B-5
Title: Computation of Working Capital

Explanation:
Schedule showing computation of working capital allowance.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	<u>Amount</u>	
1. Cash working capital		
1/24th Purchased Power	\$ 1,204	
1/24th Purchased Water	-	
1/8th Operation & Maintenance Expense	21,048	
2. Materials and Supplies Inventories	-	(a)
3. Prepayments	249	(a)
4. Total Working Capital Allowance	<u>\$ 22,501</u>	(b)

NOTES:

1. Adequate detail should be provided to determine the bases for the above computations.
2. Adjusted test year operating expenses should be used in computing cash working capital requirements.
3. Combination utilities should compute working capital allowances for each department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: C-1
Title: Adjusted Test Year Income Statement

Explanation:
Schedule showing statement of income for the test year,
including pro forma adjustments.

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Description	Actual for Test Year Ended (a) 31-Dec-08	Ref	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Ref	Proposed Rate Increase	Adjusted Test Year With Rate Increase
Operating Revenues:							
461 Metered Water Revenue	\$ 135,713			\$ 135,713	J	\$ 512,124	\$ 647,837
474 Other Water Revenue	4,953	A	(255)	4,698			4,698
Total Operating Revenue	\$ 140,666		\$ (255)	\$ 140,411		\$ 512,124	\$ 652,535
Operating Expenses:							
601 Salaries & Wages	\$ -			\$ -			\$ -
610 Purchased Water	-			-			-
615 Purchased Power	28,895			28,895			28,895
618 Chemicals	-			-			-
620 Repairs & Maintenance	25,903			25,903			25,903
621 Office Supplies and Expense	13,079			13,079			13,079
630 Outside Services	60,194	B	48,561	108,755			108,755
635 Water Testing	6,087			6,087			6,087
641 Rental Expense	-			-			-
650 Transportation Expense	2,308			2,308			2,308
657 Insurance - General Liability	1,204			1,204			1,204
659 Insurance - Health and Life	-			-			-
666 Rate Case Expense	-	C	8,333	8,333			8,333
675 Miscellaneous Expense	2,717			2,717			2,717
403 Depreciation & Amortization	24,350	D	144,410	168,760			168,760
408 Property Taxes	7,632			7,632			7,632
408.11 Taxes Other Than Income	-			-			-
409 Income Taxes	\$ 4,358	E	(4,358)	-	K	56,208	56,208
Total Operating Expenses	\$ 176,727		\$ 196,946	\$ 373,673		\$ 56,208	\$ 429,881
OPERATING INCOME/(LOSS)	\$ (36,061)		\$ (197,201)	\$ (233,262)	(c)	\$ 455,916	\$ 222,654
Other Income/(Expense):							
419 Interest Income	\$ 2,285	F	(2,285)	\$ -			\$ -
421 Non-Utility Income	12,685	G	(12,685)	-			-
426 Miscellaneous Non-Utility Expenses	(30,677)	H	30,677	-			-
427 Interest Expense	(65)	I	(110,109)	(110,174)			(110,174)
Total Other Income/(Expense)	\$ (15,772)		\$ (94,402)	\$ (110,174)		\$ -	\$ (110,174)
NET INCOME/(LOSS)	\$ (51,833)		\$ (291,603)	\$ (343,436)		\$ 455,916	\$ 112,479

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2 (b) C-2

Recap Schedules:
(c) A-1

Schedule: C-2
Title: Income Statement Proforma Adjustments

Schedule itemizing pro forma adjustments to the test year income statement.

Class A	
Class B	
Class C	
Class D	
Spec/Reqmt	

Description	A	B	C	D	E	F	G	H	I	J	K	Total (a)
Revenues:												
Metered Water Revenue										\$ 512,124		\$ 512,124
Other Water Revenue	\$ (255)											(255)
Expenses:												
Outside Services		\$ 48,561										\$ 48,561
Rate Case Expense			\$ 8,333									8,333
Depreciation & Amortization				\$ 144,410								144,410
Income Taxes					\$ (4,358)						\$ 56,208	51,850
Other Income/(Expense):												
Interest Income						\$ (2,285)						\$ (2,285)
Non-Utility Income							\$ (12,685)					(12,685)
Miscellaneous Non-Utility Expenses								\$ 30,677				30,677
Interest Expense									\$ 110,109			110,109
											Total Adjustments	\$ 164,313

A - Decrease Other Water Revenue to remove non-recurring credit balance in Bad Debt Expense.

C - Increase Rate Case Expense to include \$25,000 in estimated expenses amortized over three years.

D - Increase depreciation expense to reflect proposed depreciation rates, as well as plant improvements to be completed during test year.

E - Remove non-recurring adjustment for accrued income taxes (\$4,308) and injurious Arizona income tax amount (\$50) accrued during test year.

F - Remove non-recurring interest income.
G - Remove non-recurring Non-Utility Income related to fire at storage trailer, which was the office prior to the management agreement.

I - Increase interest expense to remove \$65 in non-recurring interest expense, and include proforma adjustment for interest on proposed WIFA loan (\$110,174) based on estimated terms.

K - Increase Income Tax Expense for proposed income based on the following calculations:

Net Income Before Income Taxes	\$ 168,687
--------------------------------	------------

Net Income Before Income Taxes	\$ 106,087
Arizona Income Tax	11,754

Arizona income tax	11,734
Federal taxable income	156,933

Federal Taxable income	150,953
Federal Income Tax	44,454

Supporting Schedules:

Recap Schedules:

(a) C-1

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: C-3
Title: Computation of Gross Revenue
Conversion Factor

Explanation:
Schedule showing incremental taxes on gross revenues and
the development of a gross revenue conversion factor.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Description	Calculation
Revenue	100.0000%
Less: State Income Tax at 6.968%	6.9680%
Federal Taxable Income	<u>93.0320%</u>
Less: Federal Income Tax at 25%	23.2580%
Operating Income	69.774%
Gross Revenue Conversion Factor = 1/Operating Income %	<u>1.4332</u>

Note: All tax percentages shall include the effect of other taxes upon the incremental rate. The applicant may use other formulas in developing the conversion factor.

Supporting Schedules:

Recap Schedules:
(a) A-1

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: D-1
Title: Summary Cost of Capital

Explanation:
 Schedule showing elements of capital structure
 and the related cost.

Required for: All Utilities ☒ X
 Class A ☐
 Class B ☐
 Class C ☐
 Class D ☐
 Specl Reqmt ☐

Invested Capital	End of Test Year				End of Projected Year			
	Amount	%	Cost Rate (e)	Composite Cost %	Amount	%	Cost Rate (e)	Composite Cost %
Long-Term Debt (a)	\$ -				\$ 2,233,796	95.38%	5.00%	4.77%
Short-Term Debt (a)	494,622	80.61%	2.19%	1.77%	-			
Common Equity (c)	118,982	19.39%	10.00%	1.94%	108,150	4.62%	10.00%	0.46%
Total	\$ 613,604	100.00%		3.70%	\$ 2,341,946	100.00%		5.23%

Supporting Schedules:

- (a) D-2
- (b) D-3
- (c) D-4
- (d) E-1

Recap Schedules:

- (e) A-3

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: E-1
Title: Comparative Balance Sheet

Explanation:

Schedule showing comparative balance sheets at the end of the test year and the 2 fiscal years ended prior to the test year.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

	Test Year At 31-Dec-08	Prior Year 31-Dec-07	Prior Year 31-Dec-06
ASSETS			
Property, Plant & Equipment: (a)			
101 Utility Plant In Service	\$ 1,034,926	\$ 488,115	\$ 489,724
105 Construction Work in Process	0	107,099	15,801
108 Accumulated Depreciation	(404,577)	(406,619)	(400,227)
Total Property Plant & Equipment	\$ 630,349	\$ 188,595	\$ 105,298
Current Assts:			
131 Cash	\$ 18,205	\$ 15,824	\$ 15,148
135 Temporary Cash Investments	198	6,116	7,054
141 Customer Accounts Receivable	10,854	10,780	11,374
146 Notes/Receivables from Associated Companies	-	82,922	78,212
151 Plant Material and Supplies	-	2,961	4,087
162 Prepayments	249	74	92
174 Miscellaneous Current and Accrued Assets	12,757	13,567	11,883
Total Current Assets	\$ 42,263	\$ 132,244	\$ 127,850
TOTAL ASSETS	\$ 672,612	\$ 320,839	\$ 233,148
LIABILITIES and CAPITAL			
Capitalization: (b)			
201 Common Stock Issued	\$ 6,000	\$ 6,000	\$ 6,000
211 Paid in Capital in Excess of Par Value	135,692	135,692	135,692
215 Retained Earnings	(22,710)	41,230	(46,727)
Total Capital	\$ 118,982	\$ 182,922	\$ 94,965
Current Liabilities:			
231 Accounts Payable	\$ 9,070	\$ 3,484	\$ 3,329
232 Notes Payable (Current Portion)	494,622	85,000	85,000
235 Customer Deposits	18,051	1,475	1,313
236 Accrued Taxes	4,508	5,910	5,438
241 Miscellaneous Current and Accrued Liabilities	514	18,853	19,427
Total Current Liabilities	\$ 526,765	\$ 114,722	\$ 114,507
224 Long-Term Debt (Over 12 Months)	\$ -	\$ -	\$ -
Deferred Credits:			
252 Advances In Aid Of Construction	\$ 3,182	\$ 3,182	\$ 3,249
271 Contributions In Aid Of Construction	105,798	105,798	105,798
272 Less: Amortization of Contributions	(99,602)	(99,000)	(98,398)
281 Accumulated Deferred Income Tax	17,487	13,215	13,027
Total Deferred Credits	\$ 26,865	\$ 23,195	\$ 23,676
Total Liabilities	\$ 553,630	\$ 137,917	\$ 138,183
TOTAL LIABILITIES and CAPITAL	\$ 672,612	\$ 320,839	\$ 233,148
Supporting Schedules:	Recap Schedules:		
(a) E-5	(b) A-3		

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: E-2
Title: Comparative Income
Statements

Explanation:

Schedule showing comparative income statements for the test year and the 2 fiscal years ended prior to the test year.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec Reqmt	<input type="checkbox"/>

	Test Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07	Prior Year Ended 31-Dec-06
Revenues: (a)			
461 Metered Water Revenue	\$ 135,713	\$ 137,790	\$ 138,042
474 Other Water Revenue	4,953	5,670	5,727
Total Revenues	\$ 140,666	\$ 143,460	\$ 143,769
Operating Expenses (a)			
601 Salaries & Wages	\$ -	\$ -	\$ -
610 Purchased Water	-	-	-
615 Purchased Power	28,895	29,467	26,715
618 Chemicals	-	-	-
620 Repairs and Maintenance	25,903	32,026	25,511
621 Office Supplies and Expense	13,079	14,962	6,617
630 Outside Services	60,194	48,250	40,910
635 Water Testing	6,087	3,092	5,339
641 Rents	-	-	-
650 Transportation Expense	2,308	-	-
657 Insurance - General liability	1,204	432	507
659 Insurance - Health and Life	-	-	-
666 Regulatory Commission Expense - Rate Case	-	-	-
675 Miscellaneous Expense	2,717	2,741	5,159
403 Depreciation Expense	24,350	8,184	12,525
408 Taxes Other Than Income	-	65	-
408 Property Taxes	7,632	9,456	7,607
409 Income Tax	4,358	722	(3,386)
Total Operating Expenses	\$ 176,727	\$ 149,397	\$ 127,504
OPERATING INCOME/(LOSS)	\$ (36,061)	\$ (5,937)	\$ 16,265
Other Income/(Expense)			
419 Interest and Dividend Income	\$ 2,285	\$ 3,332	\$ 3,206
421 Non-Utility Income	12,685	-	-
426 Miscellaneous Non-Utility Expense	(30,677)	-	-
427 Interest Expense	(65)	(165)	(67)
Total Other Income/(Expense)	\$ (15,772)	\$ 3,167	\$ 3,139
NET INCOME/(LOSS)	\$ (51,833)	\$ (2,770)	\$ 19,404

Supporting Schedules:
(a) E-6

Recap Schedules:
A-2

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: E-5
Title: Detail of Utility Plant

Explanation:
 Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Required for: All Utilities ☒
 Class A ☐
 Class B ☐
 Class C ☐
 Class D ☐
 Specl Reqmt ☐

Account Number	Description	End of Prior Year at 31-Dec-07	Net Additions	End of Test Year at 31-Dec-08
302	Franchises	\$ -	\$ -	\$ -
303	Land & Land Rights	1,070	-	1,070
304	Structures & Improvements	21,549	(19,824)	1,725
307	Wells & Springs	30,144	-	30,144
311	Pumping Equipment	70,567	5,107	75,674
320	Water Treatment Equipment	-	-	-
320.1	Water Treatment Plants	-	-	-
320.2	Solution Chemical Feeders	-	4,732	4,732
330	Distribution Reservoirs & Standpipes	48,806	-	48,806
330.1	Storage Tanks	-	557,761	557,761
330.2	Pressure Tanks.	-	-	-
331	Transmission & Distribution Mains	209,091	-	209,091
333	Services	41,070	-	41,070
334	Meters & Meter Installations	61,474	3,379	64,853
335	Hydrants	-	-	-
339	Other Plant and Misc Equipment	-	-	-
340	Office Furniture & Equipment	2,494	(2,494)	-
340.1	Computers and Software	-	-	-
341	Transportation Equipment	1,850	(1,850)	-
343	Tools, Shop, and Garage Equipment	-	-	-
345	Power Operated Equipment	-	-	-
348	Other Tangible Plant	-	-	-
Total Plant In Service		\$ 488,115	\$ 546,811	\$ 1,034,926
Accumulated Depreciation		406,619	(2,042)	404,577
Net Plant In Service		\$ 81,496	\$ 548,853	\$ 630,349
Construction Work in Process		107,099	(107,099)	-
Total Net Plant		\$ 188,595	\$ 441,754	\$ 630,349

Supporting Schedules:

Recap Schedules:
 E-1 A-4

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: E-7
Title: Operating Statistics

Explanation:

Schedule showing key operating statistics in comparative format,
for the test year and the 2 fiscal years ended prior to the test year.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Specd Reqmt	<input type="checkbox"/>

	Test Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07	Prior Year Ended 31-Dec-06
Water Statistics:			
Gallons Sold - By Class of Service:			
Residential	42,765,500	45,823,919	46,376,510
Commercial	2,972,500	3,185,081	3,223,490
Service:			
Residential	584	566	562
Commercial	41	39	39
Average Annual Gallons Per Residential Customer	73,229	80,961	82,520
Average Annual Revenue Per Residential Customer \$	217.39	\$ 227.68	\$ 229.75
Pumping Cost Per 1,000 Gallons	\$ 0.6318	\$ 0.6013	\$ 0.5386

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: E-8
Title: Taxes Charged to
Operations

Explanation: Schedule showing all significant taxes charged to operations for the test year and the 2 fiscal years ended prior to the test year.	Required for: All Utilities	<input checked="checked" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Description	Test Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07	Prior Year Ended 31-Dec-06
Federal Taxes:			
Income	\$ 4,308	\$ 672	\$ (3,436)
Payroll	-	-	-
Total Federal Taxes	\$ 4,308	\$ 672	\$ (3,436)
State Taxes:			
Income	\$ 50	\$ 50	\$ 50.00
Payroll	-	-	-
Total State Taxes	\$ 50	\$ 50	\$ 50
Local Taxes:			
Property	\$ 7,632	\$ 9,456	\$ 7,607
Total Taxes	\$ 11,990	\$ 10,178	\$ 4,221

NOTE: For combination utilities, the above should be presented in total and by department.

Supporting Schedules:

Recap Schedules:

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: E-9
Title: Notes to Financial
Statements

Explanation:
Disclosure of important facts pertaining to the understanding
of the financial statements.

Required for: All Utilities	<input checked="checked" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Speci Reqmt	<input type="checkbox"/>

Disclosures should include, but not be limited to the following:

1 Accounting Method.

The books of Southland are kept as accrual based, and also follow NARUC rules, including the USoA.

2 Depreciation lives and methods employed by major classification of utility property.

For years up to and including the test year 2008, depreciation rates as authorized in Decision 61335 were 5% for all plant asset categories. Proposed depreciation rates are depicted on the plant schedule as part of the financing application. These rates were taken from ACC Engineering Staff Memo regarding their recommended rates for depreciation dated April 21, 2000, and revised March 1, 2001.

3 Income tax treatment - normalization or flow through.

Depreciation is normalized for ratemaking purposes, but not income tax purposes.

4 Interest rate used to charge interest during construction, if applicable.

Not Applicable.

Supporting Schedules:

Recap Schedules:

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: F-1
Title: Projected Income Statements -
Present and Proposed Rates

Explanation:

Schedule showing an income statement for the projected year, compared with actual test year results, at present and proposed rates.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

	<u>Projected Year</u>		
	<u>Actual</u>	<u>At Present</u>	<u>At Proposed</u>
	<u>Test Year</u>	<u>Rates</u>	<u>Rates</u>
	<u>Ended (a)</u>	<u>Year Ended (b)</u>	<u>Year Ended (b)</u>
	<u>31-Dec-08</u>	<u>31-Dec-09</u>	<u>31-Dec-09</u>
Operating Revenues:			
461 Metered Water Revenue	\$ 135,713	\$ 135,713	\$ 647,837
474 Other Water Revenue	4,953	4,698	4,698
Total Operating Revenue	\$ 140,666	\$ 140,411	\$ 652,535
Operating Expenses:			
601 Salaries & Wages	\$ -	\$ -	\$ -
610 Purchased Water	-	-	-
615 Purchased Power	28,895	28,895	28,895
618 Chemicals	-	-	-
620 Repairs & Maintenance	25,903	25,903	25,903
621 Office Supplies and Expense	13,079	13,079	13,079
630 Outside Services	60,194	108,755	108,755
635 Water Testing	6,087	6,087	6,087
641 Rental Expense	-	-	-
650 Transportation Expense	2,308	2,308	2,308
657 Insurance - General Liability	1,204	1,204	1,204
659 Insurance - Health and Life	-	-	-
666 Rate Case Expense	-	8,333	8,333
675 Miscellaneous Expense	2,717	2,717	2,717
403 Depreciation & Amortization	24,350	168,760	168,760
408 Property Taxes	7,632	7,632	7,632
408.1 Taxes Other Than Income	-	-	-
409 Income Taxes	4,358	56,208	56,208
Total Operating Expenses	\$ 176,727	\$ 429,881	\$ 429,881
OPERATING INCOME/(LOSS)	\$ (36,061)	\$ (289,470)	\$ 222,654
Other Income/(Expense):			
419 Interest Income	\$ 2,285	\$ -	\$ -
421 Non-Utility Income	12,685	-	-
426 Miscellaneous Non-Utility Expenses	(30,677)	-	-
427 Interest Expense	(65)	(110,174)	(110,174)
Total Other Income/(Expense)	\$ (15,772)	\$ (110,174)	\$ (110,174)
NET INCOME/(LOSS)	\$ (51,833)	\$ (399,644)	\$ 112,479
Earnings per share of average Common Stock Outstanding	\$ (129.58)	\$ (999.11)	\$ 281.20
% Return on Common Equity	-0.109%	-0.840%	0.236%

Supporting Schedules:
(a) E-2

Recap Schedules:
(b) A-2

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: F-3
Title: Projected Construction
Requirements

Explanation: Schedule showing projected annual construction requirements, by property classification, for 1 to 3 years subsequent to the test year compared with the test year.	Required for:	All Utilities	<input checked="checked" type="checkbox"/>
		Class A	<input type="checkbox"/>
		Class B	<input type="checkbox"/>
		Class C	<input type="checkbox"/>
		Class D	<input type="checkbox"/>
		Spec'l Reqmt	<input type="checkbox"/>

Property Classification	Actual Test Year Ended 12/31/2008	Projected Year Ended 12/31/2009
Production Plant	\$ 110,550	\$ 133,550
Transmission Plant	815,658	825,658
Other Plant	108,718	113,718
Total Plant	<u>\$ 1,034,926</u>	<u>\$ 1,072,926</u>

NOTE: For combination utilities, the above should be presented by department.

Supporting Schedules:

Recap Schedules:

(a) F-2 & A-4

Southland Utilities Company, Inc.
Test Year Ended December 31, 2008

Schedule: F-4
Title: Assumptions Used in
Developing Projection

Explanation:
Documentation of important assumptions used in preparing
forecasts and projections

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Important assumptions used in preparing projections should be explained.

Areas covered should include:

1 Customer growth

The company has experienced modest growth in the past few years, and does anticipate that will change.

2 Growth in consumption and customer demand

Customer demand and consumption has actually been *decreasing*.

3 Changes in expenses

The company believes the test year 2008, with the limited proforma adjustments included in this application, accurately depict expense levels going forward.

4 Construction requirements including production reserves and changes in plant capacity

Proceeds of the WIFA loan will be used to improve Well #1 and Well #3 and the associated booster pump stations. In addition, the majority of the water meters will be replaced with lockable, auto-read meters.

5 Capital structure changes

No changes to equity are anticipated; debt will increase if the WIFA loan is approved.

6 Financing costs, interest rates

Currently, the Company has a short term loan in the amount of \$494,621.57 with Tucson/Sierra Properties, LLC at a 2.19% interest rate that was used to install in the storage tank during the Test Year. Southland is seeking to borrow this amount, plus an additional \$1,728,342 from WIFA, for the construction described above in item 4.

Supporting Schedules:

Recap Schedules:

EXHIBIT 4

WATER USE DATA SHEET

NAME OF COMPANY	Southland Utilities Company, Inc.
ADEQ Public Water System Number:	02-029

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1. January 2008	604	3,303	Unknown due to fire
2. February 2008	604	3,013	Unknown due to fire
3. March 2008	608	3,535	Unknown due to fire
4. April 2008	609	4,343	Unknown due to fire
5. May 2008	611	4,587	Unknown due to fire
6. June 2008	613	5,744	Unknown due to fire
7. July 2008	615	4,080	Unknown due to fire
8. August 2008	615	3,780	Meter pulled for maint
9. September 2008	615	3,329	Meter pulled for maint
10. October 2008	612	3,726	Meter pulled for maint
11. November 2008	617	3,054	3,286
12. December 2008	613	3,244	3,807
TOTAL	7,336	45,738	7,093

Is the water utility located in an ADWR Active Management Area ("AMA")?

YES NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

YES NO

If Yes, please provide the GPCD amount: _____

Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.

** Gallons pumped cannot equal or be less than the gallons sold.*

EXHIBIT 5

Company Name: Southland Utilities Company, Inc.	Test Year Ended: 31-Dec-08
ADEQ PWS 02-029	

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
626149	40	150	600	12	4	1967
626150	50	170	600	14-12-10	6	1971

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS

Horsepower	Quantity
30.0	3
5.0	1
10.0	1

FIRE HYDRANTS

Quantity Standard	Quantity Other
36	N/A

STORAGE TANKS

Capacity	Quantity
165,000	2
62,000	1

PRESSURE TANKS

Capacity	Quantity
5,000	1

Company Name: Southland Utilities Company, Inc.

Test Year Ended: 31-Dec-08

ADEQ PWS 02-029

MAINS*

Size (in inches)	Material	Length (in feet)
2	Steel	1,000
3		
4	AC	18,122
5		
6	AC	28,260
8		
10		
12		
6	PVC	2,711

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	620
3/4	
1	
1 1/2	
2	3
Comp. 3	
Turbo 3	1
Comp. 4	
Turbo 4	1
Comp. 6	
Turbo 6	

For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:

2 Automatic Chlorinators

STRUCTURES:

N/A

OTHER:

EXHIBIT 6

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
 Mail Code 5415B-2
 1110 West Washington Street
 Phoenix, AZ 85007

Drinking Water Compliance Status Report

System Name	System Type	System Served?
SOUTHLAND UTL-GOLDEN ACR	<input checked="" type="checkbox"/> Community	<input type="checkbox"/> Yes, to PWS #
System ID	<input type="checkbox"/> Non-transient Non-community	<input checked="" type="checkbox"/> No
02029	<input type="checkbox"/> Transient Non-community	

Overall Compliance Status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Monitoring and Reporting Status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Comments: An NOV was issued on 7/31/08 for missed monitoring, but all monitoring deficiencies have now been addressed.		

Operator Name	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Date of Inspection	3-16-09	Inspector: John Eyre, SRO
Major unresolved/ongoing operation and maintenance deficiencies:		
<input type="checkbox"/> unable to maintain 20psi	<input type="checkbox"/> inadequate storage	
<input type="checkbox"/> cross connection/backflow problems	<input type="checkbox"/> surface water treatment rule	
<input type="checkbox"/> treatment deficiencies	<input type="checkbox"/> ATC/AOC	
<input type="checkbox"/> certified operator	<input type="checkbox"/> other =	
Comments: None		

Comments: None	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
----------------	------------------------------	--

Population Served	2195
Number of Connections	627
Number of Meters	2
Number of Service Lines	2
Number of Valves	1894
Number of Hydrants	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Prepared by	Donna Calderon, Manager
Unit	Drinking Water Monitoring and Protection Unit
Phone	602-771-4641
Date	November 3, 2009
<input checked="" type="checkbox"/>	Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and PWS is in compliance.
<input type="checkbox"/>	Based upon the monitoring and reporting deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.
<input type="checkbox"/>	Based upon the operation and maintenance deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

EXHIBIT 7



**ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE**



Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to wilful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 11278	Invoice Number 65577
To: ROMO, ANDY 2730 E. BROADWAY, SUITE 135 TUCSON AZ 85716	Public Water System ID #: 02029
	Billing for Calendar Year: 2009
	Due Date: November 17, 2008
	Total Amount Due\$ 1,637.80
	Amount Paid\$

↑ Keep the top portion for your records. ↑

ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice

Invoice # 65577

ROMO, ANDY 2730 E. BROADWAY, SUITE 135 TUCSON AZ 85716	Owner Id #: 11278	MAP
	Billing for Calendar Year: 2009	
	Due Date: 11/17/2008	

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	\$ 250.00
Fee per Connection in 2009..... 540 connections X \$ 2.57.....	\$ 1,387.80
Total Sampling Fee	\$ 1,637.80
Plus Paid Interest Charges and/or Other Adjustments	\$ 0.00
Plus Unpaid Interest Charges as of 10/01/2008	\$ 0.00
Minus Payments Received and/or Other Adjustments	\$ 0.00
Amount Due	\$ 1,637.80
Amount received by ADEQ (Make check payable to State of Arizona)	\$



A \$12 fee will be charged for any check not honored by the bank.

Do not write below this line

Make your check or money order payable to **State of Arizona**
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Check Number:
Received:
Postmarked:
Entered:

CS3 10/01/2008
WM300Go